

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 XMB-02

OPIC-03 /097 W

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R 311710Z OCT 75

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TO SECSTATE WASHDC 6067

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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AMEMBASSY LUXEMBOURG

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LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 16690

E.O. 11652: N/A

TAGS: ELAB, ETRD, EEC, UK

SUBJECT: TUC URGES WILSON TO IMPOSE IMPORT CONTROLS TO
DEAL WITH GROWING UNEMPLOYMENT

REF: LONDON 15546

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SUMMARY - NOT SURPRISINGLY, PROTECTIONIST SENTIMENT IN

THE UK -- AS EXPRESSED BY THE TRADE UNION MOVEMENT -- RISES IN PROPORTION TO THE INCREASE IN THE UNEMPLOYMENT ROLLS -- NOW AT THE 1.1 MILLION MARK. PRIME MINISTER WILSON INVITED THE TUC'S ECONOMIC COMMITTEE TO MEET HIM AND OTHER MINISTERS LAST NIGHT (OCTOBER 30) TO DISCUSS THE PARIS ECOLOMIC SUMMIT NEXT MONTH. THEY SEIZED THE OPPORTUNITY TO REITERATE THEIR DEMAND FOR IMOORT CONTROLS. WHILE THE PRIME MINISTER REPORTEDLY MADE NO COMMITMENT TO THEM AND IN FACT WARNED ABOUT WORLD "COMPETITIVE PROTECTIONISM" HE DID ENDORSE PREVIOUS COMMENTS OF TRADE SECRETARY PETER SHORE THAT IMPORT CONTROLS MIGHT BE IMPOSED. THE TUC'S REQUEST, HOWEVER, REFLECTS THE UNDERLYING CONCERN OF ITS LEADERSHIP -- INCLUDING JACK JONES, DAVID BASNETT AND LEN MURRAY -- THAT THE GOVERNMENT BE SEEN BY THE TRADE UNION RANK AND FILE TO BE DOING SOMETHING ABOUT GPOWING UNEMPLOYMENT. THIS MAY INDEED BECOME A CRUCIAL PROBLEM THIS SPRING WHEN UNIONS BEGIN TO DISCUSS THE NEXT YEAR'S WAGE DEMANDS. END SUMMARY.

1. THE TUC LEADERS CONVEYED TO THE PRIME MINISTER A NINE POINT INDUSTRIAL STRATEGY WHICH THEY WILL DISCUSS WITH HIM AGAIN ON LOVEMBER 5, WITHIN THE FRAMEWORK OF THE NATIONAL ECONOMIC DEVELOPMENT COUNCIL (NEDC). THIS INDUSTRIAL STRATEGY CALLS ON THE GOVERNMENT TO "FUNDAMENTALLY MODIFY ITS FREE TRADE PHILOSOPHY ON TRADE AND FOLLOW A COORDINATED TRADE AND INDUSTRY STRATEGY DESIGNED TO PREVENT THE FURTHER EROSION OF THE UK MANUFACTURING INDUSTRY." THE TUC RECOMMENDS -- AMONG OTHER THINGS -- INVESTMENT ASSISTANCE, TEMPORARY QUOTA RESTRAINTS ON "SENSITIVE GOODS" SUCH AS MOTOR CARS AND THEIR COMPONENTS, ELECTRONIC GOODS, TELEVISION TUBES, TEXTILES, CLOTHING AND FOOTWEAR

2. NOREOVER, THE TUC URGES GOVERNMENT TO USE ITS PROCUREMENT AND AREDIT GRANTING ROLE TO RESTRAIN USE OF PUBLIC MONEY ON IMPORTS, THAT IT NEGOTIATE BINDING BI-LATERAL ACCORDS WITH "MAJOR SUPPLIERS OF SENSITIVE GOODS," THAT IT SEEK AMENDMENT OF GATT SAFEGUARD PROCEDURES TO ALLOW SELECTIVE QUOTA RESTRAINTS BY COUNTRY AND BY PRODUCTS WHEN "DISRUPTION OF A HOME INDUSTRY IS THREATENED." LIMITED OFFICIAL USE

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THE TUC CALLS ON GOVERNMENT TO NEGOTIATE WITH MAJOR OVERSEAS SUPPLIERS OF TEXTILES AND CLOTHING IN ORDER TO

REDUCE BY 10 TO 20 PERCENT THE TAKE-UP OF QUOTAS AGREED UNDER THE "MULTI-FIBRE ARRANGEMENT ." FURTHER IT SUGGESTS AN EXTELSION OF TEMPORARY EMPLOYMENT SUBSIDIES AND A "MORE VIGOROUS" USE BY THE DEPARTMENT OF TRADE OF THE THREE-MONTH PPROVISIONAL DUTY PROVISIONS AGAINST DUMPING.

3. THE UNION LEADERSHIP ALSO REPORTEDLY TOLD MR. WILSON (WHO WAS JOINED BY CHANCELLOR OF THE EXCHEQUER DENIS HEALEY. HIS ECONOMIC ADVISOR HAROLD LEVER AND OTHERS) THAT IF THESE DEMANDS WERE NOT MET, THEY WANTED THE GOVERNMENT TO REFLATE SOON IN ORDER TO STIMULATE THE ECONOMY. AFTER THE TALKS MURRAY TOLD THE PRESS THAT THE GOVERNMENT HAD BEEN "VERY SYMPATHETIC" TO THE CALL FOR CONCERTED INTERNATIONAL ACTION TO STIMULATE EMPLOYMENT, BUT HE ALSO WARNED THAT IF THIS WAS NOT ACHIEVED AT THE PARIS ECONOMIC SUMMIT AND THE EC EUROPEAN COUNCIL (HEADS OF GOVERNMENT) WHICH FOLLOWS, THE TUC WOULD EXPECT THE CHANCELLOR TO ACT UNILATERALLY.

4. COMMENT: THESE DEMANDS ON THE GOVERNMENT REFLECT THE BASIC PROBLEM WHICH THE TUC LEADERSHIP HAS TO CONTEND

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WITH FROM WITHIN ITS OWN RANKS -- HOW TO PERSUADE ITS
MEMBERSHIP TO ACCEPT A PAY RESTRAINT POLICY NOW AS UN-
EMPLOYMENT CONTINUES TO RISE BUT -- AND THIS IS THE MUCH
TOUGHER JOB -- HOW TO GET ACCEPTANCE DURING THE LATE
SPRING AND SUMMER RUN-UP TO THE TUC'S NEXT CONGRESS IN
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SEPTEMBER FOR A CONTINUING RESTRAINT POLICY. TRADE UNION
LEADERS LIKE JACK JONES ARE WELL AWARE OF WHAT THEY HAVE
BEEN ASKING THE RANK AND FILE TO ACCEPT. SPEAKING YESTER-
DAY (OCTOBER 30) AT AN OFF-THE-RECORD CONFERENCE, HE
SAID: "WE ARE TRYING TO MAKE OUR CONTRIBUTION AND SACRA-
FICE BY VIRTUAL ACCEPTANCE OF A FALLING LIVING STANDARD
IN ORDER TO SOLVE OUR COUNTRY'S PROBLEMS." AS HE TOLD
US PRIVATDLY, HOWEVER, HE 'DOES NOT KNOW WHAT WOULD HAP-
PEN IF UNEMPLOYMENT GOES MUCH HIGHER" BUT, SUMMONING UP
THE SPECTRE OF THE 1930'S HE ADDED QUICKLY: "I WAS AROUND
WHEN THERE WERE 3 MILLION UNEMPLOYED IN THIS COUNTRY."

5. THIS IS THE MODERATE TRADE UNION LEADERSHIP DILEMMA.
UNDER JACK JONES' LEADERSHIP, THE TUC ACCEPTED WAGE RE-
STRAINT -- A TOLUNTARY INCOMES POLICY WITH SOME TEETH.
THEY HAVE ALSO SAID THEY WOULD NOT TOLERATE HIGH LEVELS
OF UNEMPLOYMELT -- YET THEY KNOW THAT BEFORE INFLATION
IS BEATEN DOWN UNEMPLOYMENT WILL INEXORABLY RISE FOR
SOME TIME BEFORE IT BEGINS TO FALL. THEY WANT -- AT THE
VERY LEAST -- THE APPEARANCE OF GOVERNMENT ACTION. FOR
ITS PART, GOVERNMENT CAN DO VERY LITTLE SUBSTANTIALLY TO
SOLVE WHAT HAPOLD WILSON CALLED THE "REENTRY" PROBLEM.
IT IS RELUCTANT STILL TO MANIPULATE THE TRADE SECTOR
FOR FEAR OF RETALIATION, IT IS BEING FORCED TO CUT EX-
PENDITURES, SO THE MOST IT CAN PROVIDE THE TUC LEADER-
SHIP FOR THE MOMENT IS A WAY TO SUGAR COAT SOME VERY
BITTER PILLS.

RICHARDSON

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